URBAN REDEVELOPMENT IN THE UNITED STATES

BY

EARL THOMAS HANSON

B.Ed., Southern Illinois University, 1932

A.M., University of Illinois, 1937

R. UNIV. BIBLIOTHEEK LEIDEN

AN ABSTRACT OF A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN POLITICAL SCIENCE IN THE GRADUATE COLLEGE OF THE UNIVERSITY OF ILLINOIS, 1948

URBANA, ILLINOIS

1952

URBAN REDEVELOPMENT IN THE UNITED STATES

Urban redevelopment is the most recent approach to the problem of clearing and rehabilitating slums and blighted areas in American cities. From the urban redevelopment movement there has emerged in recent years a substantial body of legislation, and a number of cities are now actively engaged in the preliminary steps of an urban redevelopment program.

The purpose of this study has been to examine the background of this movement, the legislation which has been adopted, and the nature of the municipal urban redevelopment activities which are now taking place, and to attempt an evaluation of the contribution which urban redevelopment may make to the clearing and rehabilitating of slum and blighted areas. The purpose has also been to examine the court decisions involving slum clearance and to define the scope of activity in this field which is acceptable to the courts.

Sources of Information

The analysis of urban redevelopment and collateral legislation is based upon an examination of state and national statutes. The analysis of the legal aspects of urban redevelopment is drawn from decisions of state and federal courts. For data relating to previous attempts at slum clearance the most valuable sources of information have been the official reports and studies made by state and national governmental agencies. The information concerning current activities by municipal governments in urban redevelopment has been obtained from the official reports and special studies published by local governmental agencies, public hearings and investigations of legislative committees, articles describing the work of local agencies, published and unpublished data collected by the National Association of Housing Officials and the American Society of Planning Officials, and interviews and correspondence with public officials and other persons closely connected with the activities of particular municipalities.[1]

[1] Among the persons with whom interviews were had are Ulysses S. Grant, III, Executive Director of the National Park and Planning Commission and members of the staff of this agency; John Ducey, Director of Planning of the Chicago Housing Authority and members of the staff of this division; Otto K. Jensen, Executive Director of the Indianapolis Redevelopment Commission; Harland M. Bartholomew, Planning Engineer for the City of Saint Louis; Coleman Woodbury, formerly Executive Director of the National Association of Housing Officials; and Mrs. Dorothy Cazzolo and other members of the staff of the National Association of Housing Officials.

Previous Experience in Slum Clearance

Until 1926 the use of the police power to regulate housing was the only approach made to the problem of slums and blighted areas. As the deteriorated and deteriorating districts of the cities spread, resort was made to a more comprehensive type of action. Attempts were first made to encourage private corporations to engage in slum clearance and low-rent housing. When this method proved to be inadequate a program of slum clearance and housing carried out directly by governmental agencies was inaugurated.

New York, in 1926, adopted the first housing law designed to attract private builders into the field of slum clearance. This law authorized private corporations to undertake the clearance of slums and the provision of low-rent housing under the supervision of the New York State Board of Housing. The use of eminent domain was permitted for the acquisition of land, and the local governments were authorized to exempt the improvements, but not the land of corporations undertaking projects pursuant to this law. In return for public assistance the corporations were subjected to extensive statutory and administrative controls which covered virtually every phase of their operations.

The New York Housing Law did not prove successful in stimulating an appreciable amount of slum clearance. A total of eleven housing projects providing housing accommodations for slightly more than 5,000 families were constructed in New York City. Little interest was shown in the law by builders capable of constructing large projects until the early years of the 1930's. When interest in limited-dividend projects did become more widespread during this period, other deterrents to slum clearance were encountered. Property values in New York City were highly inflated. The State Board of Housing was unable to establish the cooperative working arrangement with governmental officials of New York City which is necessary where housing developments involve changes in municipal facilities. The City withdrew in 1933 the privilege of automatic tax exemption to housing projects approved by the State Board of Housing and provided that each project be approved for tax exemption upon an individual basis. The controls established by the act proved too rigid to permit of adjustments necessitated by variations in land and building costs. Numerous amendments were made to the law. It was not until 1947, however, that administrative determination of maximum rents was authorized. In addition to these difficulties, private builders were unable to secure adequate credit or provide the equity necessary for large-scale housing and slum clearance. Of the above factors, the two upon which the New York State Board of Housing placed

prime responsibility for the lack of activity under the law were the inability of builders to secure the necessary equity funds and the uncertainty concerning the possibility of tax exemption.[2]

New Jersey was the second state to provide for slum clearance by private corporations. This state adopted a law in 1929 which permitted insurance companies to undertake slum clearance and housing projects. New Jersey municipalities were authorized to acquire land for this purpose through the use of the power of eminent domain. No financial assistance was provided, however, for companies undertaking slum clearance projects. An insurance company constructed one project without assistance. It was able to construct a second one by entering into an agreement with the City of Newark whereby the latter purchased the center portion of two blocks for parks, and the company constructed dwelling facilities on the peripheries of these two blocks. No further activity has occurred, and none is likely to occur under the provisions of this law since New Jersey has enacted urban redevelopment laws which do authorize tax exemption and other assistances to private redevelopers.

In 1932 the national government attempted to assist in the clearance of slums and construction of housing projects. The Reconstruction Finance Corporation was authorized to lend money to limited-dividend corporations for the clearance of slums and construction of housing. Two projects were undertaken with RFC loans, one of which resulted in the clearance of two blocks of the worst slums in New York City. In 1933 the Housing Division of the Federal Emergency Administration of Public Works took over this function. With the encouragement of these two agencies thirteen states adopted limited-dividend laws similar to the New York Housing Law of 1926. None of these states provided for tax exemption, however, which is the single most important feature of the New York act. When PWA abandoned its unsuccessful efforts to establish a housing and slum clearance program through loans to private companies, these laws, many of which were passed with the idea that particular states should get their share of federal funds, virtually ceased to exist in so far as their effectiveness is concerned.

The factors accounting for the lack of success of the PWA program are similar in nature to those which hampered the success of the New York Housing Law of 1926. Shortly after PWA announced that it would

[2] The New York State Board of Housing and its successor, the New York State Commissioner of Housing, have published annual reports since 1926. They are highly informative of the problems involved in slum clearance and housing and provide a wealth of statistical information relating to both public and private housing projects in the State of New York. See, for example, *Report of the State Commissioner of Housing,* N.Y., Leg. Doc. No. 29 (1942).

make loans to private corporations, it received over 500 applications for credit. Only seven applicants qualified for loans; and only one of the projects involved was constructed upon a cleared slum site. The basic impediment to the construction of large housing projects was the scarcity of large builders who were able or willing to provide adequate equity financing.[3] The state boards of housing established to administer the laws were inexperienced with the problem of housing and slum clearance. The program which PWA sought to inaugurate was an emergency program which would get under way quickly. At the same time that it tried to stimulate an emergency housing program, it undertook to reform the building industry. Elaborate controls were imposed upon the successful applicants for loans. Financial standards were established which the agency later found could not be achieved. This combination of factors was sufficient to defeat even a program which offered more assistance than low interest loans.

Following the attempts to achieve slum clearance through private action a program of public housing was started. This was carried on at first by the Housing Division of PWA. An unfavorable court decision, holding that the power of eminent domain may not be used by federal agencies to acquire sites for housing, placed a serious handicap upon the work of the PWA.[4] The inadequacy of a program of housing carried on directly by a national agency within the cities was also recognized. In 1937 the United States Housing Authority Law was adopted. This law established a system of cooperative administration of public housing carried out by a national agency and the numerous housing authorities which have been established by the states and municipalities.

The clearance of slums in connection with the provision of public housing has been the most effective program yet attempted. A total of approximately 270 housing projects of varying size has been constructed on former slum sites. Although the greatest amount of slum clearance has been accomplished through public housing, this program has been criticized by those who object to this type of public enterprise. It has been considered inadequate by others who believe that the clearance of slums exclusively through a program of low-rent public housing is not a sufficient remedy for the problem presented by the extensive slums and blighted areas in the larger cities.

---

[3] A survey of the Bureau of Labor Statistics revealed that 63.8 per cent of the builders of single-family homes built only one home per year. Less than ten per cent built as many as ten homes per year in 1938. Bureau of Labor Statistics, *Builders of 1-Family Houses in 72 Cities*, Serial No. R1151 (1940).

[4] *United States v. Certain Lands in the City of Louisville*, 9 F. Supp. 137 (1935); affirmed, 78 F. (2d) 684, dismissed on motion of Solicitor General, 294 U.S. 755, 55 Sup. Ct. 548 (1936).

The earlier attempts at slum clearance were not successful. The New York Housing Law of 1926 and the New Jersey law of 1929 attempting to attract insurance companies into the housing field were positive steps; but experience demonstrates that they were inadequate. The program of public housing was effective, but was inadequate as a sole remedy for the problem of slums. The result of the lack of success or inadequacy of the earlier programs plus the dissatisfaction in some quarters with slum clearance through public housing was the urban redevelopment movement which began during the 1930's.

Urban Redevelopment Legislation

(a) *Redevelopment Corporation Laws*

Within the general body of statutes referred to as urban redevelopment legislation there are a number of approaches to the task of clearing and rehabilitating slums and blighted areas. In one type of law, the redevelopment corporation law, urban redevelopment consists of the clearance and rehabilitation of slums and blighted areas by private redevelopment corporations. Such corporations may formulate plans for the clearance or rehabilitation of property, or the two combined. Upon the approval of the plan by the appropriate municipal agencies, usually the planning agency and sometimes also the city council or by a state agency, the corporation, or the local government acting in its behalf, may use the power of eminent domain in order to acquire the proposed site of the redevelopment.

The principal forms of assistance which may be given to redevelopment corporations are: (1) a limited exemption of their property from taxation; (2) the conveyance of municipally held land to them on terms considered adequate by the municipality, even though this is at less than cost; and (3) the provision of municipal facilities needed in the redevelopment area, or the alteration and removal of facilities which are unnecessary or are detrimental to a project. In return for public assistance the corporations are subjected to varying degrees of public supervision and control.

The extent of public assistance as well as the nature of the controls imposed are largely determined by the type of action which the law seeks to encourage. One group of statutes are designed to encourage rehabilitation or clearance of substandard areas through the cooperative efforts of the owners of the property within the proposed redevelopment area. Where this is the intent, tax exemption, if given, is authorized for only a short period of time. The controls imposed, particularly upon the financial operations of the corporations are

not extensive, consisting in four of the seven states where group rehabilitation is the purpose of the law, of a limitation upon the annual profits or the amount of dividends which may be distributed, and of the requirement for annual reports to a supervisory body. In some states, notably Illinois and Indiana, where tax exemption is not authorized, virtually no controls are imposed beyond the requirement that the project be constructed in accordance with an approved redevelopment plan.[5]

In a second group of states the redevelopment corporation statutes are designed primarily to encourage large investors to undertake the clearance of large slum areas and to rebuild the area with investment or rental housing. Clearance may be combined with rehabilitation, however, and a number of facilities in addition to housing may be provided. These states permit an extended period of tax exemption, the duration being most frequently twenty-five or more years. The public controls are more comprehensive. Annual profits are limited and, although maximum rents are not established by statute, municipal or state officials are either required or authorized to establish maximum rentals. A majority of this group of statutes contain what might be termed an escape clause, however, which permits the redevelopment corporation to avoid further regulation if it is willing to repay all tax exemptions received with five per cent interest; and in the case of one state, further regulation may be avoided by electing not to receive tax exemption upon the completion of construction of a project.[6]

Twelve states have adopted one of the above types of legislation since 1941. The strongest support for the redevelopment corporation law came during the early period of the urban redevelopment movement; the pressure for passage of this type of law has now largely waned. A different and much expanded concept has appeared in a larger body of state statutes known as public agency laws. This latter type of legislation has been adopted by twenty-four states and by Congress for the District of Columbia.

(b) *Public Agency Laws*

The public agency laws place the initiative for slum clearance with governmental bodies. They are authorized to acquire the land, provide

[5] For the best example of this type of law see the New York Redevelopment Corporations Law of 1941, *Laws of N.Y.*, 1941, ch. 892. The states which have adopted this type of law are Illinois, Indiana, Kansas, Kentucky, Michigan, New York and Virginia.

[6] The best example of this type of redevelopment law is also a New York law. *Laws of N.Y.*, 1942, ch. 845, as amended by *Laws of N.Y.*, 1943, ch. 234 and *Laws of N.Y.*, 1947, ch. 840. The states which have adopted such legislation are Massachusetts, Minnesota, Missouri, New Jersey, New York and Wisconsin.

for the necessary clearance of substandard properties and prepare the site for new uses which are specified in a redevelopment plan formulated by the appropriate public body. The property may then be sold or leased to other public agencies (including local housing authorities) or to private individuals or corporations at less than its cost to the land assembly agency, or at what is referred to as the use value of the site. It must be rebuilt or rehabilitated by the purchaser in accordance with the adopted plan. Continuing public controls are usually imposed by means of a contract between the redevelopment agency and the redeveloper.

Despite the basic similarity in the public agency laws, there is a substantial variation in their detailed provisions. In somewhat less than half of the states, redevelopment powers are conferred upon local housing authorities.[7] In the remaining states provision is made for a special redevelopment agency, or the selection of this agency is left to the discretion of the individual cities.[8] A small group of statutes merely confer upon public bodies the basic powers to acquire slum areas and sell or lease cleared sites, without specifying the procedure to be followed or the controls to be imposed upon purchasers of the land. In Illinois, several laws applying to different public bodies and involving different procedures have been adopted. In two states land may be conveyed only to public bodies and redevelopment corporations. New Jersey adopted the most novel plan which consists of trading the use of public land at nominal fees plus tax exemption in return for a portion of the gross receipts of the private company and the eventual transfer of redevelopment projects to public ownership.[9]

The two basic factors which have been stressed by the advocates of the public agency law and which are reflected generally in its provisions are: (1) that slum clearance should be a planned procedure involving large areas rather than the random clearance of small areas; and (2) that there should be a greater degree of participation by private enterprise in slum clearance and rehabilitation.

The public agency laws do not in general add basically to the powers

[7] The states where this has been done are Arkansas, Florida, Georgia, Massachusetts, Minnesota, New Hampshire, South Carolina, Tennessee and Virginia. In Illinois the local authorities are responsible for a part of the urban redevelopment program.

[8] These states are California, Colorado, Connecticut, Illinois, Indiana, Kentucky, Maryland, Michigan, Missouri, New Jersey, New York, Pennsylvania, Rhode Island and Wisconsin.

[9] For the various types of public agency laws, see Cal. Stats., 1945, ch. 1326; *Ill. Rev. Stats.*, 1947, ch. 24, sec. 23-103.1; *N.J. Laws*, 1946, ch. 52 and ch. 53; and *Pub. Acts of Tenn.*, 1945, ch. 114.

already possessed in some degree by local housing authorities in many states. Only a slight amount of change was necessary in the housing authority laws in the states which have conferred urban redevelopment powers upon the local housing authorities. What the public agency laws do in general is to place emphasis upon land acquisition and to separate this function from the provision of low-rent housing more distinctly than do the housing authority laws. They associate slum clearance more closely with the planning function than do the housing laws, include provisions for permanent controls of private redevelopment, and make specific the power of local agencies to finance and subsidize the acquisition of slum areas for private or for public redevelopment. The difference between the two groups of law is therefore one of emphasis, intent, comprehensiveness and, in some states, of administrative organization.

Urban Redevelopment Activities

The experience in urban redevelopment is limited. The earliest law which provided essentially the powers granted in the more recent public agency laws was the Alley Dwelling Act adopted for the District of Columbia by Congress in 1934. The funds appropriated for urban redevelopment under this law amounted to less than $1,000,000 and therefore did not permit of a program of sufficient size to be of great significance. The Alley Dwelling Authority (now the National Capital Housing Authority) attempted with the meagre funds at its disposal to demonstrate that slum clearance may be carried out in a self-liquidating manner. This experiment was ended in 1942 when Congress required that all revenues derived from the Authority's properties above a specified amount for annual expenses of operation be turned into the national treasury.

A number of the larger cities have now started upon a redevelopment program. Land assembly agencies have been established in eight of the larger cities. In many cities the local housing authorities serve in this capacity and in other cities the planning commissions have engaged in drawing up plans preparatory to the establishment of redevelopment agencies. The activities have been limited in some instances to the study and designation of redevelopment areas. An increasing volume of reports and studies have been issued during the past three or four years. In a limited number of cities land acquisition pursuant to the public agency laws has been started. The only city in which projects have been started or completed under the redevelopment corporation statutes is New York. The most publicized of these is the Stuyvesant Town project constructed by the Metropolitan Life Insurance Company. It will house,

when completely occupied, approximately 25,000 people. The only state to have made funds available to its cities for urban redevelopment thus far is Illinois. From a share of the Illinois state grants and from bonds issued by the city, Chicago now has over $50,000,000 for a slum clearance and housing program. This is more than the total cost of all slum clearance and public housing projects previously undertaken in Chicago during the past twenty years.

Land Costs and Urban Redevelopment

One of the central problems to be met in a program of urban redevelopment is that of land costs. An increasing volume of data on this subject has been collected through special test studies made by local governmental agencies and through publication of data on land costs in public housing developments. The land cost problem is particularly great in the larger cities, and it is there that the slums are most extensive. Although land costs are lower in smaller cities and the blighted areas are not so extensive, the cost of slum clearance when compared to the financial ability of the cities to engage in this activity may be relatively as serious a problem as it is in the larger city.

The method provided for off-setting excessive land costs by the redevelopment corporation laws is, as previously stated, by the use of tax exemption. The principle generally followed is that the corporations may be exempt from the payment of taxes on their property which are in excess of the taxes collected from the same area prior to its redevelopment. Under the public agency laws land costs are to be reduced by a public write-down. Ordinarily no specific limit is placed upon the amount of write-down which may be made.

Of the two methods, the use of tax exemption is, politically speaking, the easier in that it does not involve large initial outlays of public funds for slum clearance. It is an inflexible method of subsidizing slum clearance, however; and there are limitations upon the ability of private redevelopers to pay high land costs with no more assistance than is provided by tax exemption. With the aid of tax exemption, as provided by the New York Housing Law of 1926, limited-dividend corporations did build housing upon land ranging in cost from approximately $175,000 to more than a half-million dollars per acre. In order to overcome the high land costs, however, it was necessary to build these projects at a very great density. This method of overcoming land costs has also been employed in the construction of the redevelopment projects undertaken thus far and in the construction of public housing built upon expensive

land. To rebuild at high densities, is, however, contrary to the basic principles of municipal planning — the achieving of better, more attractive urban neighborhoods.

The write-down of the cost of slum sites with public funds involves an immediate financial outlay by the governmental agencies concerned; and public acceptance of this method is more difficult to obtain. As a method of overcoming land costs it is superior, however, to tax exemption. It is a flexible system which would make possible the uniform redevelopment of large contiguous areas as contrasted to the spotted type of redevelopment possible through tax exemption. It is susceptible to the adoption of many different financial plans whereby the cost of acquiring slum sites may be distributed over long periods, thereby relieving the immediate financial burden of land assembly.

It is possible that cities may contribute indirectly to the solution of the land cost problem through the more effective enforcement of housing regulations and the adoption of a realistic zoning policy which discourages property owners from placing speculative values upon their property. A small number of the urban redevelopment laws authorize the introduction of evidence as to the substandard, insanitary character of the property being acquired, or the enhancement of its value through illegal use in cases involving awards for property taken by eminent domain.[10] A few redevelopment statutes also authorize the cities to prohibit further construction or major alterations of facilities within areas which have been designated for redevelopment. The most drastic measure yet resorted to was the provision inserted in the Alley Dwelling Act of 1934 which established a time beyond which the alley properties in the District of Columbia might not be used for residential purposes. The time for cessation of residential use of the properties has been extended, however, until now the established date is 1955. There is no evidence of the effect of this provision other than the statement of officials of the Alley Dwelling Authority that many of the areas which they would like to redevelop are still so costly that the Federal Public Housing Authority would not approve of their acquisition for public housing purposes. A proposal sometimes made is that cities acquire land reserves in the outlying less costly areas in order to offset the losses involved in the slum areas. Thus far, however, only the State of New York has given constitutional and statutory authority to its cities to acquire reserve

[10] The courts of a number of states hold that values which result from the illegal use of property may not be considered in making condemnation awards. See, for example, *Joly v. City of Salem,* 276 Mass. 297, 177 N.E. 121 (1931).

lands for housing purposes. Although the courts have sustained the acquisition of land for future use for particular municipal facilities,[11] there is as yet only indirect support for the acquisition of land reserves for housing.

In spite of contributions toward the solution of the land price problem that at the local level of government, it is evident from an examination of the extent of slums and blighted areas in larger cities that the extensive use of either tax exemption or the public write-down of land would place an extremely heavy financial burden upon them. Assistance from the state or national governments is necessary if significant progress is to be made in slum clearance and housing. Plans for such assistance, involving federal grants and loans amounting to $1,000,000,000 or more, have been contained in all of the major housing acts considered, but not passed, by Congress since the termination of the war.

The financial aspects of urban redevelopment are in general those which are most in need of study and examination. The clearance of slum areas is frequently justified by a consideration of enhanced property tax collections from a particular area.[12] This approach is valid only when applied to a large area. An argument frequently used to justify the payment of high land costs is the possibility of savings in the cost of municipal services within slum areas. Unfortunately the evidence available on this point is conflicting and inconclusive.[13]

---

[11] *Beus v. City of Soda Springs,* 62 Idaho 1, 107 Pac. (2d) 151 (1940); *Campbell v. Teaneck Township Committee,* 101 N.J.L. 461, 129 Atl. 757 (1925).

[12] Detroit Housing Commission, *The Detroit Plan* (1947). This study is descriptive of a redevelopment project now being undertaken in Detroit. It indicates that the cost of the write-down may be liquidated within a moderate number of years through the increased collection of taxes from the area.

[13] The cost of municipal services in slum areas does ordinarily exceed the tax revenues derived from such areas. Some of the costs in such areas, such as health costs, can be reduced by proper housing; others, such as educational costs will not be reduced. A study made in Boston in 1935 showed that seventy-eight per cent of the city's area did not pay in tax revenues as much as municipal services cost. This included practically all of the residential areas of the city and the losses here were made up by revenues in the commercial and industrial areas. Boston City Planning Board, *Income and Cost study of the City of Boston* (1935). Many municipal costs will not be eliminated by changes in the nature of the neighborhoods. They vary with the number of persons in the area rather than with the conditions under which they are housed. For examples of existing studies on the subject of municipal service costs, see Bureau of Municipal Research (Philadelphia), *Financial Picture of an Improvable Area* (1947); City Plan Commission (St. Louis), Urban Land Policy (1936), p. 12. Of particular interest are two studies made by the planning commissions of New York City and Boston. See F. Dodd McHugh, "Cost of Public Services in Residential Areas," Paper No. 2163, *Transactions of the American Society of Civil Engineers,* vol. 107, pp. 1401-1432 (1942); and Boston City Planning Board, *Rehabilitation in Boston,* vol. 2, p. 37 (1943).

One of the major factors accounting for the lack of success in earlier attempts to stimulate private investments in slum clearance and housing was the inability or unwillingness of private investors to undertake the construction of large-scale housing on an investment basis. This same factor will hamper the success of urban redevelopment. The possibility of a greater amount of private investment in rental housing has been improved, however, by developments which have occurred in the field of housing in recent years. The Federal Housing Administration has been instrumental in aiding the growth of the building industry in the size of its operations. The terms upon which credit may be obtained have improved, largely as the result of the standards established by FHA in the insurance of mortgages. The larger building concerns are better able to finance their operations. A special program of mortgage insurance upon large-scale rental housing developments has been of material assistance to builders in gaining experience with this type of construction. During the war years the prevailing unit of construction became, for the first time, a group of houses rather than the individual home.[14] As the size of their operations has increased it has been necessary for private builders to give consideration to such factors as neighborhood planning and the relation of housing to community facilities. In this respect the objective of private housing enterprise coincides more closely with the objectives of urban redvelopment and with city planning in general.

A second development of recent occurrence is the entry of large institutional investors into the field of housing and slum clearance. Of these the most important are the life insurance companies. Such institutions were almost uniformly barred by state legislation from undertaking housing projects until recently. New York temporarily permitted them to engage in housing in 1922 and again in 1938. New Jersey was the first state to authorize insurance companies to undertake slum clearance projects. Approximately half of the redevelopment corporation laws permit them to undertake such projects, and all but one of the states having a public agency law — Kentucky — either specifically or by implication permit the sale of cleared slum lands to insurance companies or other institutional investors authorized by law to construct housing. Concurrently with the adoption in some states of urban redevelopment legislation many states have, without making specific statutory reference to urban redevelopment projects, authorized equity investments in housing by insurance companies, banks, and building and loan associa-

[14] National Housing Agency, *Housing Practices — War and Prewar,* pp. 6, 15.

tions. The terms of these acts differ considerably. Some relate specifically to housing projects. Others refer to investments in real estate generally; and some simply authorize insurance companies to make investments which are not otherwise authorized by the state laws relating to investments or the charter of the company. Regardless of the terms in which the legislation is couched, the laws are all applicable to urban redevelopment projects. A total of thirty states have now adopted one or more of the above types of legislation. Since the general principle followed in the regulation of insurance companies is that the state of their incorporation controls their investment wherever they operate, companies authorized by their home state to undertake urban redevelopment and housing projects may do so in any state in which they operate.[15]

Little interest was shown by the insurance companies in housing until recently. Only a small number of projects were constructed by them prior to World War II. During the post-war period something over $200,000,000 has been invested in urban redevelopment and housing by these companies. Institutional investors cannot, of course, provide more than a portion of the needed urban housing in the United States. Their total admitted assets in 1946 were $47,000,000,000,[16] and of this amount between five and twenty per cent may be invested in housing.

Relocation of Displaced Families

The relocation of displaced families constitutes an important aspect of urban redevelopment. Not only is there a problem with the families of very low income, but where surveys of income levels have been made, they indicate that a relatively large proportion of the slum inhabitants have an income which is too high to qualify them for admittance into low-rent public housing under the generally prevailing income regulations imposed by local authorities and too low to enable them to afford adequate private housing.

The relocation of displaced families has been handled in different ways in cities where urban redevelopment is in progress. Two cities, Indianapolis and Detroit, where large areas are being acquired plan to defer the clearance of the areas until housing becomes available for the displaced families, but definite plans have not been made as to how they will be relocated. The task of relocation was handled by the Metropolitan Life Insurance Company in connection with the two projects it has con-

[15] There are a limited number of states which control in some measure the investments of foreign corporations. Most of these states have amended their insurance laws in recent years to permit foreign corporations to invest in housing.

[16] United States Department of Commerce, *Survey of Current Business,* pp. 5-16 (Mar., 1947).

structed in New York City. In Chicago the responsibility for all relocation housing has been placed upon the Chicago Housing Authority; and for this purpose it was given approximately half of the funds available for urban redevelopment. Plans have been drawn up whereby the Authority will provide housing for families of moderately low income as well as for those of low income.

Racial Problems in Urban Redevelopment

A further type of difficulty involved in urban redevelopment is that which arises from the racial composition of the urban population. In most of the large cities of the United States there are relatively large numbers of Negroes and other racial and nationality groups. Many of them live in the slums and blighted areas. In virtually every redevelopment project or plan for redevelopment the problem has been encountered. In some instances there were objections by the groups themselves to being relocated in other parts of the city. In other instances there was objection by residents in areas where it was proposed to relocate the displaced families. Objections of this nature are a factor which now hampers the Chicago program. Still another type of difficulty is that which comes from objections to the exclusion of any particular group from the redevelopment projects. Objections of this nature were so vigorous in the case of the Stuyvesant Town project that New York City adopted an ordinance which provides that any redevelopment company constructing a project after the adoption of the law may not discriminate in any way in the selection of its tenants. In a number of the redevelopment laws also there are provisions which prohibit discrimination or the displacement of the predominant racial group from a particular area.

The redevelopment projects which have thus far been started or for which plans have been drawn, and for which the policy concerning tenancy has been announced, also handle this problem in various ways. In one, only white tenants are accepted, two are being constructed for Negro tenants, and in two there will be no discrimination on the basis of race.

Administrative Organization

From the nature of the problems involved, it is evident that urban redevelopment must be a comprehensive cooperative program of public and private activity. The organization provided in several of the public agency laws is not conducive to such a program. Too many agencies are involved. Thus in Illinois land clearance commissions clear slums for private housing. Local authorities provide for the relocation of displaced

families. In order to coordinate the work of these two bodies in Chicago the Mayor appointed a special coordinator of housing and redevelopment. These agencies and the Chicago Planning Commission are supposed to adopt plans for the urban redevelopment program. This organization has not worked well. In contrast to the type of organization used in Chicago is the plan provided in the District of Columbia Redevelopment Act of 1946. Here the sole responsibility for planning and site selection is placed with the planning commission. A single authority is responsible for the acquisition of sites designated by the planning agency. It may make the land available either to the housing authority or to private builders in accordance with the redevelopment plant. This is the most logical arrangement which has as yet been provided.

Urban Redevelopment and the Courts

The constitutionality of urban redevelopment legislation has been attacked in the courts of four states and in every state except one it has been sustained. The urban redevelopment decisions follow a general trend favorable to slum clearance. In the large group of earlier cases involving slum clearance and public low-rent housing, the courts upheld the use of eminent domain and public funds as well as tax exemption for the accomplishment of these two purposes. An examination of these decisions reveals that the courts usually considered the basic purpose of the legislation to be the clearance of slums. The specific means by which slum clearance was to be accomplished was frequently considered to be merely an incident to the major purpose.[17] In considering the legislation in this manner the courts adopted a broader view of public use and public purpose than would have been necessary to sustain the housing laws.

This broad view has been carried over into the urban redevelopment decisions. The fact that the housing to be provided in connection with slum clearance may involve a profit for a private individual, that it may not be low-rent housing, and that in some cases no provision has been made for the continuing control of redevelopment corporations, has not been considered a valid argument against the constitutionality of the legislation.[18] In the one case where an urban redevelopment law was not sustained, the court held that the law involved an illegal delegation

[17] For leading cases to this effect, see *New York Housing Authority v. Muller*, 270 N.Y. 333, 1 N.E. (2d) 153 (1935); *Dornan v. Philadelphia Housing Authority et al.*, 331 Pa. 209, 200 Atl. 834 (1938).

[18] *Murray v. LaGuardia*, 291 N.Y. 320, 52 N.E. (2d) 884 (1943); *Zurn v. Chicago*, 389 Ill. 114, 59 N.E. (2d) 18 (1945); *People ex rel Tuohy v. The City of Chicago et al.*, 68 N.E. (2d) 761 (1946); *Belovsky v. Redevelopment Authority of Philadelphia et al.*, 357 Pa. 329, 54 N.E. (2d) 277 (1947).

of legislative power.[19] In view of the fact that the specific provisions of this act to which the court took exception are not contained in other laws, the decision is of little or no significance in a consideration of the constitutionality of urban redevelopment.

Conclusion

The amount of action which will result from the urban redevelopment movement cannot, of course, be predicted. Urban redevelopment has been of primary interest to the large cities. It is probable that smaller cities where less weight has been attached to municipal planning will not show the same interest as will the larger cities. Urban redevelopment brings a needed viewpoint to the problem of clearing and rehabilitating slums and blighted areas. It views this task as a part of the broader problem of municipal planning. If the development represented by the transition of emphasis from the more restricted view contained in the redevelopment corporation law to the broader view represented in the public agency law continues, it is quite probable that urban redevelopment will increasingly become more of a general program for the clearance and rehabilitation of slums and blighted areas through both public and private action. With such an approach, it represents the most effective solution to the problem of slums and blighted areas yet devised.

[19] *City of Birmingham et al., v. Moore,* 248 Ala. 422, 27 So. (2d) 869 (1946).

VITA

Earl Thomas Hanson was born in Carbondale, Illinois, on September 9, 1912. He attended elementary and secondary schools in that city. In 1929 he entered Southern Illinois University, Carbondale, Illinois. From 1933 to 1936 he served as a teacher in the secondary schools of Carbondale. In 1937 he entered the Graduate School of the University of Illinois. During the years 1937 and 1938 he served as a Teaching Assistant in the Department of Political Science; and in 1939 he was a Fellow in the same department. In 1940 he served as Instructor of Political Science in the University of Nebraska and the University of Texas. In 1941 he occupied a similar position in the Department of Political Science in the University of California at Los Angeles. In 1942 he became a Research Technician for the Haynes Foundation of Los Angeles, California. In 1944 he entered the naval service where he served as an officer until 1946. Since 1946 he has served as an Instructor and Assistant Professor of Political Science in Duke University.